

Message Text

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43

ACTION AF-18

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PA-03 RSC-01 PRS-01 SS-15 EB-11 COME-00 TRSE-00 XMB-07

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FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 9284

INFO AMCONSUL JOHANNESBURG IMMEDIATE

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E.O. 11652: N/A

TAGS: EMIN, ZA

SUBJ: PRESIDENT REVISES MINE TAKE-OVER AGREEMENTS

1. AT PRESS CONFERENCE THIS MORNING PRESIDENT KAUNDA ANNOUNCED MAJOR REVISIONS IN DECEMBER 1969 MINE TAKE-OVER AGREEMENTS "IN ORDER THAT PEOPLE OF ZAMBIA MAY HAVE MORE EFFECTIVE CONTROL ON AFFAIRS OF THEIR ECONOMY."

2. PRESIDENT NOTED THAT WORKING RELATIONS UNDER 1969 AGREEMENTS HAD BEEN "GOOD" BUT CERTAIN PROVISIONS "HAD PROVED DETRIMENTAL TO OUR NATIONAL INTERESTS." FOR EXAMPLE, EFFECTIVE CONTROL OF MINING COMPANIES--RCM AND NCCM--VESTED IN MINORITY SHAREHOLDERS WHO HAVE VETO POWER IN RESPECT TO WIDE RANGE OF ACTIONS AND DECISIONS; REGULAR REDEMPTION OF ZIMCO BONDS OBLIGATORY IRRESPECTIVE OF PROFITABILITY OF COMPANIES; MINORITY SHAREHOLDERS HAVE PREFERENTIAL TREATMENT WITH RESPECT TO EXCHANGE CONTROL AND TAXATION; MAJOR PART OF CAPITAL FOR RCM AND NCCM EXPANSION PROGRAMS HAS COME FROM EXTERNAL BORROWING AND NOT RETAINED PROFITS; MINORITY SHAREHOLDERS HAVE SOLE AND EXCLUSIVE RIGHT TO PROVIDE SALES AND MARKETING SERVICES "FOR VERY HIGH FEE"; MINORITY SHAREHOLDERS

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PROVIDE MANAGEMENT AND CONSULTANCY SERVICES "FOR LARGE FEE" THROUGH

SEPARATE ARRANGEMENTS WITH NON-RESIDENT COMPANIES; THERE IS NO PROVISION FOR ZAMBINISATION AND RECRUITMENT ENTIRELY IN HANDS OF MINORITY SHAREHOLDERS "AGAIN AT HIGH FEE."

3. WITH IMMEDIATE EFFECT, PRESIDENT SAID HE HAD DECIDED FOLLOWING:

- (A) OUTSTANDING ZIMCO BONDS TO BE REDEEMED;
- (B) RCM AND NCCM TO PROVIDE OWN MANAGEMENT AND TECHNICAL SERVICES NOW BEING PROVIDED BY MINORITY SHAREHOLDERS;
- (C) NEW WHOLLY GOVERNMENT OWNED COPPER MARKETING COMPANY TO BE ESTABLISHED;
- (D) MINISTER OF MINES TO BE CHAIRMAN OF BOTH RCM AND NCCM;
- (E) GOVT TO APPOINT MANAGING DIRECTORS OF BOTH COMPANIES;
- (F) MINDECO WILL CEASE BEING HOLDING COMPANY FOR RCM AND NCCM;
- (G) MINISTER OF FINANCE WILL HOLD SHARES IN RCM AND NCCM FOR GOVT;
- (H) MINING OPERATIONS NOT CONNECTED WITH RCM AND NCCM WILL CONTINUE TO BE ADMINISTERED BY MINDECO;
- (I) STANDARD TAXATION PROVISIONS AND EXCHANGE CONTROL REGULATIONS WILL APPLY TO RCM AND NCCM.

4. TO ASSURE FOREGOING IMPLEMENTED, PRESIDENT APPOINTED COMMITTEE MADE UP OF MINISTER OF MINES MULEMBA AS CHAIRMAN AND MINISTER OF FINANCE MWANAKATWE AND MINISTER OF TRADE AND INDUSTRIES SOKO. THESE TO BE ASSISTED BY BANK OF ZAMBIA GOVERNOR KUWANI, MINISTRY OF FINANCE PERMANENT SECRETARY CHIBWE, MINING AFFAIRS PERMANENT SECRETARY CHIGAGA, PRESIDENTIAL ASSISTANT LISHOMWA AND MINDECO MINING DIRECTOR MULAISHO.

5. PRESIDENT CONCLUDED: "I WOULD LIKE TO TAKE THIS OPPORTUNITY TO PAY TRIBUTE TO THE LEADERS OF THE MINORITY SHAREHOLDERS FOR THEIR UNDERSTANDING AND CONTRIBUTION THEY ARE MAKING TO THE INDUSTRY. I CAN ASSURE THEM THAT THE MEASURES I HAVE OUTLINED TODAY ARE VERY STRAIGHT FORWARD AND MERELY INTENDED TO STRENGTHEN THE RELATIONSHIP BETWEEN US. I WOULD HOPE THAT OUR PARTNERSHIP WILL CONTINUE TO GROW FROM STRENGTH TO STRENGTH. HOWEVER, IT SHOULD BE EMPHASIZED THAT FOR ANY PARTNERSHIP TO BE HONORED AND RESPECTED FAIR PLAY SHOULD BE THE CORNERSTONE OF OUR RELATIONSHIP.

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6. "LET ME ALSO TAKE THIS OPPORTUNITY TO PAY TRIBUTE TO ALL THE WORKERS, EXPATRIATES AND ZAMBIANS ALIKE, WORKING IN THE MINING INDUSTRY. THEIRS IS NOT AN EASY JOB, PARTICULARLY IN THESE TIMES OF CHANGE IN THE SOCIAL AND ECONOMIC DEVELOPMENT OF OUR COUNTRY.

7. "TO THE EXPATRIATES IN PARTICULAR I WANT TO SAY THAT THERE

IS NOTHING TO FEAR FROM THE CHANGES I HAVE ANNOUNCED."

8. FULL TEXT POUCHED. NELSON

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